

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Cherry Valley Township	County Lake
Audit Date 3/31/05	Opinion Date 6/6/05	Date Accountant Report Submitted to State: July 8, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Baird, Cotter & Bishop, P.C.

Street Address

134 W. Harris Street

City

Cadillac

State

MI

ZIP

49601

Accountant Signature



Date

6/30/05

CHERRY VALLEY TOWNSHIP, LAKE COUNTY

CHASE, MICHIGAN

MARCH 31, 2005

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

MARCH 31, 2005

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CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

MARCH 31, 2005

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CERTIFIED PUBLIC ACCOUNTANTS

June 6, 2005

INDEPENDENT AUDITORS' REPORT

To the Township Board
Cherry Valley Township
Lake County
Chase, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cherry Valley Township, Lake County, Chase, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cherry Valley Township, Lake County, Chase, Michigan, as of March 31, 2005, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cherry Valley Township, Lake County, Chase, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Cherry Valley Township, a general law township located in Lake County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Cherry Valley Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2005. In future years, comparative information will be provided.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$205,244. Of this amount, \$136,412 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$188,620 an increase of \$11,679 in comparison with the prior year. About 71% is available for spending at the Township's discretion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2005 for Cherry Valley Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements the governmental funds focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$205,244 at March 31, 2005, meaning the Township's assets were greater than its liabilities by this amount. Because of GASB Statement Number 34, this is the first year that this information is presented; therefore, only one year of data is shown.

Cherry Valley Township
Net Assets as of March 31, 2005

	<u>Governmental Activities</u>
Current and other assets	\$ 192,525
Capital Assets	<u>16,624</u>
Total Assets	<u>209,149</u>
 Total Liabilities	 <u>3,905</u>
 Net Assets	
Invested in capital assets net of related debt	 16,624
Restricted	52,208
Unrestricted	<u>136,412</u>
Total Net Assets	\$ <u>205,244</u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$136,412 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$11,269 or 5.8% in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Cherry Valley Township Change in Net Assets for the Fiscal Year Ended March 31, 2005		<u>Governmental Activities</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$	203
General Revenues		
Property Taxes and Assessments		57,235
State Shared Revenues		27,946
Unrestricted Investment Earnings		1,902
Other		118
Total Revenues		<u>87,404</u>
<u>Expenses</u>		
Legislative		1,426
General Government		37,596
Public Safety		4,400
Public Works		29,941
Other Functions		2,772
Total Expenses		<u>76,135</u>
Increase in Net Assets		11,269
Beginning Net Assets		193,975
Ending Net Assets	\$	<u><u>205,244</u></u>

Governmental Activities

During the fiscal year ended March 31, 2005, the Township's net assets increased by \$11,269 or 5.8% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

The most significant part of the revenue for all governmental activities of Cherry Valley Township comes from property taxes. The Township levied special assessment millages for refuse and street lighting, in addition to the operating millages, this fiscal year. The Township levied 0.8903 mills for operating purposes.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. In 2005, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by general government expenses that total 49.4% of total expenses. The Township spent \$37,596 in fiscal year 2005 on general government expenses. Public Works represented the next largest expense at \$29,941

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Cherry Valley Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Cherry Valley Township's governmental funds reported combined ending fund balances of \$188,620. Approximately 71% of this total amount (\$134,348) constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for street lighting must be used for expenditures that relate to street lighting.

General Fund – The General Fund increased its fund balance by \$8,723 which brings the fund balance to \$136,714. Of the General Fund's fund balance, \$134,348 is unreserved. State shared revenues decreased by \$76 from the prior year.

Proprietary Fund The Township does not maintain any proprietary funds.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2005 amounted to \$16,624 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Cherry Valley Township
Capital Assets as of March 31, 2005

	Governmental
	Activities
Building Improvements	\$ 20,523
Accumulated Depreciation	<u>3,899</u>
Net Capital Assets	\$ <u>16,624</u>

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2005-06 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, please direct your requests to Cherry Valley Township, Township Clerk, 408 E. 24th Street, Chase, MI 49623.

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 176,978
Taxes Receivable	9,705
Due from Other Governments	3,778
Prepaid Expenses	<u>2,064</u>
Total Current Assets	<u>192,525</u>
<u>CAPITAL ASSETS</u>	
Building Improvements	20,523
Less Accumulated Depreciation	<u>3,899</u>
Net Capital Assets	<u>16,624</u>
TOTAL ASSETS	<u>209,149</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	3,509
Payroll Deductions Payable	<u>396</u>
Total Current Liabilities	<u>3,905</u>
TOTAL LIABILITIES	<u>3,905</u>
<u>EQUITY</u>	
Net Assets:	
Invested in Capital Assets, Net of Related Debt	16,624
Restricted for Street Lighting	14,326
Restricted for Refuse Collection	37,580
Restricted for Road Maintenance	302
Unrestricted	<u>136,412</u>
TOTAL NET ASSETS	<u><u>\$ 205,244</u></u>

The accompanying notes are an integral part of the financial statements.

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005

		PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES	
PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES						
Legislative	\$ 1,426	\$ 0	\$ 0	\$ 0	\$ (1,426)	
General Government	37,596	0	0	0	(37,596)	
Public Safety	4,400	0	0	0	(4,400)	
Public Works	29,941	203	0	0	(29,738)	
Other Functions	2,772	0	0	0	(2,772)	
Total	\$ 76,135	\$ 203	\$ 0	\$ 0	\$ (75,932)	

GENERAL REVENUES

Taxes	\$ 57,235
State Shared Revenue	27,946
Unrestricted Investment Earnings	1,902
Other	118
Total General Revenues	<u>87,201</u>
Change in Net Assets	11,269
NET ASSETS - Beginning of Year	<u>193,975</u>
NET ASSETS - End of Year	<u>\$ 205,244</u>

The accompanying notes are an integral part of the financial statements.

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2005

	GENERAL FUND	STREET LIGHTING FUND	REFUSE COLLECTION FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 132,654	\$ 12,166	\$ 32,158	\$ 176,978
Taxes Receivable	2,123	2,160	5,422	9,705
Due From Other Governments	3,778	0	0	3,778
Prepaid Expense	2,064	0	0	2,064
TOTAL ASSETS	<u>\$ 140,619</u>	<u>\$ 14,326</u>	<u>\$ 37,580</u>	<u>\$ 192,525</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 3,509	\$ 0	\$ 0	\$ 3,509
Payroll Deductions Payable	396	0	0	396
Total Liabilities	<u>\$ 3,905</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,905</u>
<u>FUND BALANCE</u>				
Reserved for:				
Street Lighting	\$ 0	\$ 14,326	\$ 0	\$ 14,326
Refuse Collection	0	0	37,580	37,580
Road Maintenance	302	0	0	302
Prepaid Expense	2,064	0	0	2,064
Unreserved				
Undesignated	134,348	0	0	134,348
Total Fund Balance	<u>\$ 136,714</u>	<u>\$ 14,326</u>	<u>\$ 37,580</u>	<u>\$ 188,620</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 140,619</u>	<u>\$ 14,326</u>	<u>\$ 37,580</u>	<u>\$ 192,525</u>

The accompanying notes are an integral part of the financial statements.

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2005

Total Fund Balance for Governmental Funds	\$ 188,620
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Building Improvements	20,523	
Accumulated Depreciation	<u>(3,899)</u>	16,624

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 205,244</u></u>
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The accompanying notes are an integral part of the financial statements.

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2005

	GENERAL FUND	STREET LIGHTING FUND	REFUSE COLLECTION FUND	TOTALS
<u>REVENUES</u>				
Taxes	\$ 27,121	\$ 8,604	\$ 21,510	\$ 57,235
State Grants	27,946	0	0	27,946
Charges for Services	203	0	0	203
Interest and Rents	1,902	0	0	1,902
Other Revenues	118	0	0	118
Total Revenues	57,290	8,604	21,510	87,404
<u>EXPENDITURES</u>				
Legislative	1,426	0	0	1,426
General Government	37,186	0	0	37,186
Public Safety	4,400	0	0	4,400
Public Works	2,783	5,132	22,026	29,941
Other Functions	2,772	0	0	2,772
Total Expenditures	48,567	5,132	22,026	75,725
Net Change in Fund Balance	8,723	3,472	(516)	11,679
<u>FUND BALANCE -</u>				
Beginning of Year	127,991	10,854	38,096	176,941
<u>FUND BALANCE -</u>				
End of Year	\$ 136,714	\$ 14,326	\$ 37,580	\$ 188,620

The accompanying notes are an integral part of the financial statements.

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2005

Net change in Fund Balance - Total Governmental Funds	\$	11,679
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(410)		
Capital Outlay	0	(410)	

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	11,269

The accompanying notes are an integral part of the financial statements.

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
MARCH 31, 2005

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 294
	<hr/>
<u>LIABILITIES</u>	
Due to Other Governments	\$ 294
	<hr/>

The accompanying notes are an integral part of the financial statements.

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Cherry Valley Township is a general law township located in Lake County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Cherry Valley Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The *Refuse Collection Fund* accounts for revenue sources that are legally restricted to expenditures for refuse collection.

The *Street Lighting Fund* accounts for revenue sources that are legally restricted to expenditures for street lighting.

Additionally Cherry Valley Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

D. Assets, Liabilities and Equity

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board has authorized the Township Treasurer to invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution with a location within the State of Michigan.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in subdivision (a).
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Township Treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

- (h) Investment pools organized under the Local Government Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- (i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County and school taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Road Construction	20
Equipment	5-10

Cherry Valley Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

8. *Restatement/Reclassifications*

Beginning fund balances have been restated for the General Fund, Refuse Collection Fund and Street Lighting Fund to correctly reflect the impact of implementing GASB 34. The fund statements are now presented using the modified accrual basis of accounting rather than the cash basis of accounting which was utilized in prior years.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 30, 2004, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Township's deposits are owned by several of the Township's funds. All bank deposits are in Citizen's Bank. At year-end, the carrying amount of the Township's deposits was \$177,272 and the bank balance was \$196,327. The Township's deposits were entirely covered by Federal depository insurance.

The Township's investments are categorized in the following schedule to give an indication of the level of risk assumed by the entity at year end.

Category 1 - Investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name.

Category 2 - Uninsured and unregistered investments for which the securities are held by the counterparty's trust department (if a bank), or agent in the Township's name.

Category 3 - Uninsured and unregistered investments for which the securities are held by the broker, dealer, or agent but not in the Township's name.

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The Township does not have any investments subject to classification.

A reconciliation of cash and investments follows:

	PRIMARY GOVERNMENT
Carrying amount of Deposits	\$ <u>177,272</u>
Government-wide Statement of Net Assets	
Cash	\$ 176,978
Statement of Fiduciary Net Assets	
Cash	<u>294</u>
Total	\$ <u><u>177,272</u></u>

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	General	Refuse Collection	Street Lighting	Total
Receivables				
Taxes	\$ 2,123	\$ 5,422	\$ 2,160	\$ 9,705

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, being depreciated				
Building	\$ 20,523	\$ 0	\$ 0	\$ 20,523
Less accumulated depreciation for:				
Building Improvements	3,489	410	0	3,899
Total capital assets, being depreciated, net	\$ 17,034	\$ (410)	\$ 0	\$ 16,624
Governmental activities capital assets, net	\$ <u>17,034</u>	\$ <u>(410)</u>	\$ <u>0</u>	\$ <u>16,624</u>

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ <u>410</u>
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Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2005.

D. Interfund Receivables, Payables and Transfers

No individual fund interfund balances were receivable or payable at March 31, 2005.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. There were no transfers for the year ended March 31, 2005.

E. Long-Term Debt

The Township had no long-term debt for the year ended March 31, 2005.

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved	
General Fund	
Prepaid Expense	\$ 2,064
Road Expenditures	302
Special Revenue Funds	
Refuse Collection Fund	
Refuse Collection	37,580
Street Lighting Fund	
Street Lighting	<u>14,326</u>
TOTAL FUND BALANCE	
RESERVES	\$ <u>54,272</u>

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

IV. OTHER INFORMATION

A. Property Taxes

The Township levied 0.8903 mills for general operating purposes on a state taxable valuation of \$10,132,753 on the 2004 tax roll. In addition, the Township levied \$30 per parcel for refuse collection and \$12 per parcel for street lighting.

Properties are assessed on January 1, and the related property taxes become a lien on December 1 of the same year. These taxes are due on or before February 14 with a final collection date of February 28, before they are added to the county tax rolls. Property taxes levied December 1 which are collected prior to the end of the Township's fiscal year are recognized as income in the year in which they are levied.

B. Interest Income and Expenses

For the year ended March 31, 2005, interest income on deposits and investments, and interest expense is summarized as follows:

<u>FUND</u>	<u>INTEREST INCOME</u>	<u>INTEREST EXPENSE</u>
General Fund	\$ 1,902	\$ 0

C. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

D. Property Tax Administration Fee

The Township is charging a property tax administration fee on all ad valorem taxes levied. The Township has determined that authorized costs of tax collection will be repeatedly in excess of the

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

revenues generated by the administration fee so that a restricted earnings account is not reflected in these statements.

E. Pension Plan

The Township has adopted a defined contribution money purchase pension plan administered by Municipal Retirement Systems, Inc. The plan, which was effective as of July 1, 1991, covers the members of the Township Board. Participants must be at least 18 years old to be eligible for entry into the plan and are 100% vested upon entering. The Township and each Board member will contribute 6.2% of total compensation paid during the plan year of December 1 through November 30. The Township contributed \$615 during the year and also paid \$172 for administrative cost. The participants total contributions were \$615 for the plan year. Total covered payroll for the plan year was \$11,460 and total wages including non-covered payroll for the fiscal year was \$14,022.

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2005

	GENERAL FUND				STREET LIGHTING FUND				REFUSE COLLECTION FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES												
Taxes	\$ 0	\$ 0	\$ 27,121	\$ 27,121	\$ 0	\$ 0	\$ 8,604	\$ 8,604	\$ 0	\$ 0	\$ 21,510	\$ 21,510
State Grants	0	0	27,946	27,946	0	0	0	0	0	0	0	0
Charges for Services	0	0	203	203	0	0	0	0	0	0	0	0
Interest and Rents	0	0	1,902	1,902	0	0	0	0	0	0	0	0
Other Revenues	0	0	118	118	0	0	0	0	0	0	0	0
Total Revenues	\$ 0	\$ 0	\$ 57,290	\$ 57,290	\$ 0	\$ 0	\$ 8,604	\$ 8,604	\$ 0	\$ 0	\$ 21,510	\$ 21,510
EXPENDITURES												
Legislative	\$ 3,230	\$ 3,550	\$ 1,426	\$ 2,124	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Government												
Supervisor	0	3,905	3,252	653	0	0	0	0	0	0	0	0
Elections	0	1,960	1,614	346	0	0	0	0	0	0	0	0
Assessor	11,300	11,755	10,635	1,120	0	0	0	0	0	0	0	0
Clerk	0	4,790	3,277	1,513	0	0	0	0	0	0	0	0
Board of Review	0	925	541	384	0	0	0	0	0	0	0	0
Treasurer	0	11,830	8,579	3,251	0	0	0	0	0	0	0	0
Building and Grounds	0	10,235	7,264	2,971	0	0	0	0	0	0	0	0
Cemetery	0	4,300	2,024	2,276	0	0	0	0	0	0	0	0
Public Safety	5,000	16,000	4,400	11,600	0	0	0	0	0	0	0	0
Public Works	0	3,710	2,783	927	6,500	6,500	5,132	1,368	0	26,000	22,026	3,974
Other Functions	0	6,200	2,772	3,428	0	0	0	0	0	0	0	0
Total Expenditures	\$ 19,530	\$ 79,160	\$ 48,567	\$ 30,593	\$ 6,500	\$ 6,500	\$ 5,132	\$ 1,368	\$ 0	\$ 26,000	\$ 22,026	\$ 3,974
Net Change in Fund Balance	\$ (19,530)	\$ (79,160)	\$ 8,723	\$ 87,883	\$ (6,500)	\$ (6,500)	\$ 3,472	\$ 9,972	\$ 0	\$ (26,000)	\$ (516)	\$ 25,484
FUND BALANCE - Beginning of Year	0	0	127,689	127,689	0	0	10,854	10,854	0	0	38,096	38,096
FUND BALANCE (DEFICIT) - End of Year	\$ (19,530)	\$ (79,160)	\$ 136,412	\$ 215,572	\$ (6,500)	\$ (6,500)	\$ 14,326	\$ 20,826	\$ 0	\$ (26,000)	\$ 37,580	\$ 63,580

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Checking	\$ 17,764
Money Market Account	94,314
Certificates of Deposit	20,576
Taxes Receivable	2,123
Due from Other Governments	3,778
Prepaid Expense	2,064
	<hr/>
TOTAL ASSETS	\$ 140,619
	<hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 3,509
Payroll Withholdings	396
	<hr/>
Total Liabilities	3,905
	<hr/>

FUND BALANCE

Reserved	
Prepaid Expense	2,064
Road Maintenance	302
Unreserved	134,348
	<hr/>
Total Fund Balance	136,714
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TOTAL LIABILITIES AND FUND BALANCE	\$ 140,619
	<hr/>

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2005

REVENUES

Taxes	\$ 27,121
State Grants	27,946
Charges for Services	203
Interest and Rents	1,902
Other Revenues	<u>118</u>
 Total Revenues	 <u>57,290</u>

EXPENDITURES

Legislative	
Township Board	\$ 1,426
General Government	
Supervisor	3,252
Election	1,614
Assessor	10,635
Clerk	3,277
Board of Review	541
Treasurer	8,579
Building and Grounds	7,264
Cemetery	2,024
Public Safety	4,400
Public Works	2,783
Other Functions	<u>2,355</u>
 Total Expenditures	 <u>48,150</u>
 Excess of Revenues	
Over (Under) Expenditures	 <u>9,140</u>

<u>FUND BALANCE</u> - Beginning of Year	<u>127,991</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 137,131</u></u>
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CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
FOR THE YEAR ENDED MARCH 31, 2005

TAXES

Current Property Taxes	\$	9,017	
Property Tax Administration Fee		5,820	
Swamp Tax		<u>12,284</u>	\$ 27,121

STATE GRANTS

Metro Act		3,086	
State Revenue Sharing			
Sales and Use Tax		<u>24,860</u>	27,946

CHARGES FOR SERVICES

Sale of Cemetery Lots and Burial Fees			203
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INTEREST AND RENTS

Interest Earnings			1,902
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OTHER

Miscellaneous			<u>118</u>
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TOTAL REVENUES			<u><u>\$ 57,290</u></u>
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CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages \$ 1,040

Other Services and Charges

Professional Services 386

Total Legislative

1,426

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages 3,185

Other Services and Charges

Printing and Publishing 67

Total Supervisor 3,252

Elections

Personal Services

Salaries and Wages 1,386

Supplies

Office Supplies 10

Other Services and Charges

Transportation 117

Printing and Publishing 101

Total Elections 1,614

Assessor

Supplies

Office Supplies 335

Other Services and Charges

Contracted Services 10,300

Total Assessor 10,635

Clerk

Personal Services

Salaries and Wages 3,185

Supplies

Office Supplies 41

Other Services and Charges

Printing and Publishing 51

Total Clerk 3,277

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

Board of Review			
Personal Services			
Salaries and Wages	500		
Other Services and Charges			
Transportation	20		
Printing and Publishing	21		
Total Board of Review		541	
Treasurer			
Personal Services			
Salaries and Wages	4,777		
Supplies			
Office Supplies	819		
Other Services and Charges			
Communication	14		
Printing and Publishing	222		
Software	653		
Tax Roll Maintenance	1,674		
Capital Outlay	420		
Total Treasurer		8,579	
Building and Grounds			
Supplies			
Operating and Office Supplies	5		
Other Services and Charges			
Contracted Services	555		
Communication	343		
Utilities	909		
Insurance	3,168		
Capital Outlay	2,284		
Total Building and Grounds		7,264	
Cemetery			
Supplies			
Operating and Office Supplies	299		
Other Services and Charges			
Contracted Services	1,725		
Total Cemetery		2,024	
Total General Government			37,186

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

PUBLIC SAFETY

Fire Protection		
Other Services and Charges		
Contracted Services		4,400

PUBLIC WORKS

Highways, Roads and Bridges		
Other Services and Charges		
Dust Control	2,558	
Transportation	35	
Street Signs	190	
Total Highways, Roads and Bridges		2,783

OTHER FUNCTIONS

Other Expense		417	
Employee Benefits			
Medicare and Social Security	818		
Workers' Compensation	750		
Pension Contributions	787		
Total Employee Benefits		2,355	
Total Other Functions			2,772
TOTAL EXPENDITURES			\$ 48,567

CHERRY VALLEY TOWNSHIP, MISSAUKEE COUNTY
CHASE, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET
MARCH 31, 2005

	<u>STREET LIGHTING FUND</u>	<u>REFUSE COLLECTION FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash			
Money Market Account	\$ 12,166	\$ 32,158	\$ 44,324
Taxes Receivable	2,160	5,422	7,582
TOTAL ASSETS	<u>\$ 14,326</u>	<u>\$ 37,580</u>	<u>\$ 51,906</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>FUND BALANCES</u>			
Reserved for:			
Street Lighting	14,326	0	14,326
Refuse Collection	0	37,580	37,580
Total Fund Balance	<u>14,326</u>	<u>37,580</u>	<u>51,906</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 14,326</u>	<u>\$ 37,580</u>	<u>\$ 51,906</u>

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2005

	STREET LIGHTING FUND	REFUSE COLLECTION FUND	TOTAL
<u>REVENUES</u>			
Taxes	\$ 8,604	\$ 21,510	30,114
<u>EXPENDITURES</u>			
Public Works	5,132	22,026	27,158
Excess of Revenues Over (Under) Expenditures	3,472	(516)	2,956
<u>FUND BALANCE</u> - Beginning of Year	10,854	38,096	48,950
<u>FUND BALANCE</u> - End of Year	\$ 14,326	\$ 37,580	\$ 51,906

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MARCH 31, 2005

	BALANCE			BALANCE		
	4/1/2004	ADDITIONS	DEDUCTIONS	3/31/2005		
<u>ASSETS</u>						
Cash in Bank	\$ 57	\$ 322,897	\$ (322,660)	\$ 294		
<u>LIABILITIES</u>						
Due to Other Funds	\$ 57	\$ 35,251	\$ (35,308)	\$ 0		
Due to Other Governments	0	287,458	(287,164)	294		
Due to Other Organizations and Individuals	0	188	(188)	0		
TOTAL LIABILITIES	\$ 57	\$ 322,897	\$ (322,660)	\$ 294		

CHERRY VALLEY TOWNSHIP, LAKE COUNTY
CHASE, MICHIGAN

STATEMENT OF 2004 TAX ROLL
MARCH 31, 2005

TAXES ASSESSED

County	\$	116,465	
County - State Education Tax		60,790	
Township			
Operating		9,017	
Refuse and Street Lighting		30,114	
School			
Baldwin Community Schools		127,192	
Intermediate School			
Mason/Lake Intermediate		<u>36,644</u>	\$ 380,222

TAXES COLLECTED

County	\$	97,352	
County - State Education Tax		54,145	
Township			
Operating		7,537	
Refuse and Street Lighting		22,532	
School			
Baldwin Community Schools		103,675	
Intermediate School			
Mason/Lake Intermediate		<u>30,630</u>	<u>\$ 315,871</u>

TAXES RETURNED DELINQUENT

County	\$	19,113	
County - State Education Tax		6,645	
Township			
Operating		1,480	
Refuse and Street Lighting		7,582	
School			
Baldwin Community Schools		23,517	
Intermediate School			
Mason/Lake Intermediate		<u>6,014</u>	<u><u>\$ 64,351</u></u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 6, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Cherry Valley Township
Lake County
Chase, Michigan

During the course of our audit of the basic financial statements of Cherry Valley Township for the year ended March 31, 2005, we noted the following items:

Budgeting

Pertaining to the Township's compliance with Public Act 621 of 1978, the following items were noted:

- (1) In the course of the budgeting process the Township should include beginning and ending equity balances in their budget document.
- (2) Revenue items should be included in the budget document.

GASB 34

These financial statements are reported under the new GASB 34 accounting standard and are much different than in the past. We recommend the Township carefully review these statements under the new accounting standard. We are available to explain the various changes in detail if so desired.

Township Financial Records

During the audit we found the Treasurer and Clerks records to be in good order. However, we do recommend that the Treasurer and Clerk consider using an actual accounting program such as Quickbooks or Peachtree in lieu of Excel and Quicken to record the Township transactions. Quicken can be easily converted to Quickbooks. Additionally, we recommend that the Township split up all the separate funds in their one Quicken file into separate Quicken or Quickbooks files to ensure proper balancing of each fund and better internal control. We are available to assist if desired.

We would like to thank the board for awarding our firm the audit assignment of the Township and thank the Township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

Very truly yours,

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 6, 2005

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Cherry Valley Township
Lake County
Chase, Michigan

In planning and performing our audit of the financial statements of Cherry Valley Township, Lake County, Chase, Michigan for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.